

CA 1
MT 76
- A 66



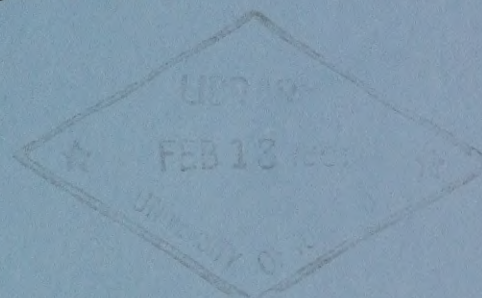
3 1761 11708546 4



¹/₂
NATIONAL ENERGY BOARD
REASONS FOR DECISION
₁₀

In the Matter of an Application
Pursuant to Order No. TG—5—79
Respecting Certain Operating and Maintenance Expenses
in Excess of the Authorized Budgets
for the year ending 30 June 1980

by



Westcoast Transmission Company Limited

January 1981

NATIONAL ENERGY BOARD

REASONS FOR DECISION

In the Matter of an Application
Pursuant to Order No. TG-5-79
Respecting Certain Operating and Maintenance Expenses
in Excess of the Authorized Budgets
for the year ending 30 June 1980

by

WESTCOAST TRANSMISSION COMPANY LIMITED

JANUARY 1981

Ce rapport est publié
séparément dans les deux
langues officielles.

(i)

NATIONAL ENERGY BOARD

IN THE MATTER OF the National Energy Board Act and
the Regulations made thereunder; and

IN THE MATTER OF an application by Westcoast
Transmission Company Limited, pursuant to Order No. TG-5-79,
respecting certain operating and maintenance expenses in
excess of the authorized budgets for the year ending the 30th day
of June, 1980, filed with the Board under File No. 1562-W5-3.

Heard in Ottawa, Ontario on 26 and 27 January 1981.

BEFORE:

C.G. Edge	Presiding Member
J. Farmer	Member
A.B. Gilmour	Member

APPEARANCES:

J.W. Lutes	) Westcoast Transmission
G.W. Lade	) Company Limited
J.M. Pelrine	) British Columbia Petroleum
	) Corporation
J.B. Ballem, Q.C.	) Canadian Petroleum Association
W. Fruehauf	) Cominco Ltd.
	) Consumers Glass Company Limited
	) Domglas Inc.
P.G. Griffin	) National Energy Board

(ii)

TABLE OF CONTENTS

	<u>Page</u>
Recital and Appearances	(i)
Table of Contents	(ii)
APPLICATION	1
DECISION	3
- Salaries, Wages and Benefits	3
- Other Operating and Maintenance Expenses	5
DISPOSITION	7
APPENDIX I Hearing Order No. RH-2-81	
APPENDIX II Order AO-6-TG-5-79	

Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

THE APPLICATION

Since 1 November 1979, Westcoast Transmission Company Limited ("Westcoast" or "the Applicant") has been charging for the transmission of natural gas through its pipeline the tolls prescribed by the Board pursuant to Order No. TG-5-79, dated 20 September 1979, issued following a public hearing held in 1978 and 1979. The tolls prescribed by that Order are of the variable cost of service type, calculated on the basis of a monthly cost of service determined in accordance with the Order.

One component of the monthly cost of service is operating and maintenance expenses. Order No. TG-5-79 provides that actual operating and maintenance expenses for salaries, wages and employee benefits, and for other expenses are to be included in the cost of service for each month for the year ended 30 June 1980 up to the amount of the approved annual budgets for those items. Where Westcoast incurs operating and maintenance expenses in excess of the budget amounts approved for any year, those excess expenses are required to be deferred by the Applicant for subsequent disposition by the Board. The annual budget approved in Schedule E to Order No. TG-5-79 was for the year commencing on 1 July 1979.

On 1 April 1980, Westcoast applied to the Board for a review of Order No. TG-5-79 so as to increase the authorized budgets for operating and maintenance expenses for the year ending 30 June 1980. This application was dismissed by the Board

in June 1980 on the grounds that Order No. TG-5-79 provided an express procedure for dealing with any overruns in the budgeted amounts of these expenses.

Pursuant to paragraph 7 of Schedule A to Order No. TG-5-79, Westcoast filed an application, dated 23 October 1980, in which it requested the Board to approve and provide for the disposition of certain deferred operating and maintenance expenses in the amount of \$6.226 million incurred in the year ended 30 June 1980 that were in excess of the approved budgets for that period as set forth in Schedule E to Order TG-5-79. Westcoast's salaries, wages and benefits actually paid in that period totalled \$17.802 million or \$1.002 million more than approved in Schedule E, while other operating expenses totalled \$21.221 million or \$5.221 million more than than approved in that Schedule.

DECISION

Salaries, Wages and Benefits

In its September 1979 Reasons for Decision the Board approved a budget of \$16.8 million for salaries, wages and benefits for the year ending 30 June 1980. During that period Westcoast incurred actual costs of \$17.802 million, which exceeds the approved budget by \$1.002 million.

In its application, Westcoast applied to recover the \$1.002 million overrun in its cost of service toll, pursuant to provisions set out in Board Order No. TG-5-79. Westcoast submitted that \$0.803 million of the \$1.002 million overrun was the result of increases in salary and wage rates that exceeded the percentage rates approved in the Board's September 1979 Decision. The remaining portion of the overrun was attributed to fluctuations in staffing during the year. Westcoast demonstrated that the increases in wage rates granted to its employees were comparable to settlements that had taken place in the oil and gas industry. During the hearing, Westcoast revised its submission showing that although it had stated that a 12.0 per cent wage increase for 1979 had been granted, in fact it had actually granted its employees an increase of 8.5 percent. With respect to salary earners, Westcoast demonstrated that the increased salaries granted left its employees in the range of the 50th percentile of surveyed rates.

Counsel for the British Columbia Petroleum Corporation (B.C.P.C.) argued that the Board's Reasons for Decision of September 1979 restricted the Order arising from that decision so as to cause Westcoast to include in its cost of service wages and salaries only at the rates authorized by the Board. Counsel for Westcoast pointed out in rebuttal argument that the Board's Decision at page 5-5 clearly provided for the procedure followed by Westcoast. The Board does not accept B.C.P.C.'s arguments on this point.

The Board concludes that Westcoast's overruns with respect to salaries, wages and benefits were reasonably incurred, and approves for inclusion in the Applicant's cost of service toll in accordance with Board Order No. TG-5-79, the amount of \$1.002 million with carrying charges to be amortized over six months beginning 1 February 1981.

Other Operating and Maintenance Expenses

In its September 1979 Reasons for Decision the Board approved a budget for operating and maintenance expenses other than salaries, wages and benefits of \$16.0 million for the year ending 30 June 1980. During that period Westcoast incurred actual costs of \$21.221 million, which exceeds the approved budget by \$5.221 million.

Westcoast submitted that the overrun expenditures were unforeseen but were required for the operation of its pipeline, and that these expenditures had been prudently made based on the exercise of good judgement.

Westcoast stated that a freeze-up at the Fort Nelson Plant, which required repairs costing in excess of \$0.7 million, had been caused by a door of the powerhouse coming off its tracks in extremely cold weather. Westcoast received legal advice that its insurance did not cover damage caused by extremes of weather.

While the Board has some concerns about matters relating to the freeze-up occurring at the Fort Nelson Plant in January 1979, the evidence does not support a finding of imprudence on the part of Westcoast. The same is true for the other overruns in "Other Operating and Maintenance Expenses".

In its application, Westcoast identified part of the overrun costs as gathering of gas by others which pertains

to its Westcoast (Alberta) operations inside Alberta. Evidence presented during the hearing indicated that these overrun costs had been allocated to its Alberta pipeline and recovered from Alberta producers, but that the recovered amount had been reflected as a reduction in Westcoast's cost of service outside Alberta. In these circumstances, and having regard to the billing procedure followed by Westcoast, the Board is satisfied that the deferred amount of \$5.221 million for other operating and maintenance expenses should be recovered in Westcoast's cost of service outside Alberta.

In Order No. TG-5-79, the budget approved for "Other Operating and Maintenance Expenses" was \$16.0 million. However, in calculating the overrun over budget, Westcoast used a budget of \$15.997 million. Therefore, the actual overrun becomes \$5.221 million instead of the \$5.224 million shown in the application.

The Board approves for inclusion in the Applicant's cost of service toll, in accordance with Order No. TG-5-79, the amount of \$5.221 million with carrying charges to be amortized over six months beginning 1 February 1981.

DISPOSITION

The Board accordingly has concluded that Westcoast may include in its cost of service outside of Alberta, \$6.223 million together with carrying charges up to 31 January 1981 calculated at the rate specified in paragraph 9 of Order No. TG-5-79.

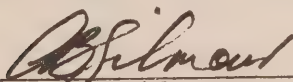
Westcoast is to amortize the foregoing amount in its cost of service, in six equal monthly installments commencing with the month of February 1981, and to include in its cost of service for each month carrying charges on the unamortized month-end balance calculated at the rate specified in paragraph 9 of Order No. TG-5-79.

Furthermore, Westcoast is ordered to separately identify the recovery of the foregoing amounts in its monthly cost of service toll information provided to the National Energy Board and the interested parties in accordance with Order No. TG-5-79.

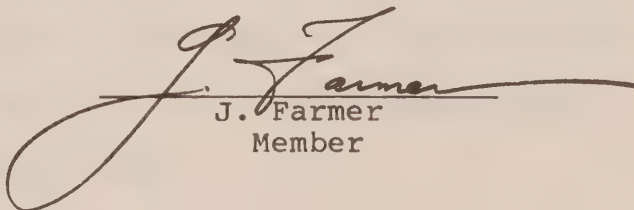
The foregoing, together with Order No. AO-6-TG-5-79, constitutes our Decision and our Reasons for Decision on the application by Westcoast Transmission Company Limited, pursuant to Order No. TG-5-79.



C.G. Edge
Presiding Member



A.B. Gilmour
Member



J. Farmer
Member

NATIONAL ENERGY BOARD



OFFICE NATIONAL DE L'ÉNERGIE

ORDER NO. RH-2-81

IN THE MATTER OF the National Energy Board Act
and the Regulations made thereunder; and

IN THE MATTER OF an application by Westcoast
Transmission Company Limited (hereinafter
called "the Applicant"), pursuant to Order No.
TG-5-79 respecting certain Operating and
Maintenance Expenses in excess of the
Authorized Budgets for the year ending the
30th day of June, 1980, filed with the Board
under File No. 1562-W5-3.

B E F O R E the Board on Friday, the 9th day of January, 1981.

UPON an application dated the 23rd day of October, 1980
by Westcoast Transmission Company Limited, pursuant to paragraph 7
of Schedule A to Order No. TG-5-79, for an Order respecting the
approval and disposition of certain Operating and Maintenance
Expenses in excess of the approved annual budgets for the year
ending on the 30th day of June, 1980,

IT IS ORDERED THAT:

1. A public hearing shall be held in the Hearing Room of the
National Energy Board, Trebla Building, 473 Albert Street, in the
City of Ottawa, in the Province of Ontario, commencing at 9:30 a.m.
local time on the 26th day of January, 1981, for the purpose of
hearing evidence and submissions respecting the said application
dated the 23rd day of October, 1980. Such proceedings will be
conducted in either of the two official languages, and simultaneous
interpretation will be provided should a party to the proceedings
request such facilities in its intervention.

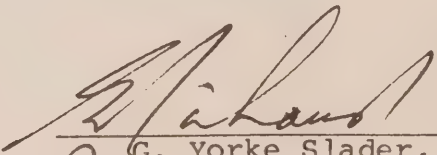
- 2 -

2. The Applicant shall, if it has not already done so, forthwith serve a true copy of the application dated the 23rd day of October, 1980, and of its response to the Board's information request of the 18th day of December, 1980, upon the interested parties pursuant to paragraph 2 of Schedule A to Order No. TG-5-79 and upon the intervenors of record in the hearing held pursuant to Order No. Rh-4-80.

3. The Secretary shall forthwith give notice of the said hearing to the Applicant and to the interested persons and intervenors of record specified in paragraph 2 of this Order.

4. Any person intending to oppose or intervene in the said application shall, on or before the 19th day of January, 1981, file with the Secretary of the Board and serve upon the Applicant, a written statement containing its reply or submission, together with any supporting information, particulars or documents, which shall include a concise statement of the facts from which the nature of the respondent's or intervenor's interest in the proceedings may be determined, which may admit or deny any or all of the facts alleged in the said application, which shall be endorsed with the name and address of the respondent or intervenor or his solicitor to whom communications may be sent and which shall state the official language in which the respondent or intervenor wishes to be heard.

NATIONAL ENERGY BOARD


G. Yorke Slader,
Secretary.

RH-2-81

NATIONAL ENERGY BOARD



OFFICE NATIONAL DE L'ÉNERGIE

ORDER NO. AO-6-TG-5-79

IN THE MATTER OF the National Energy Board Act
and the Regulations made thereunder; and

IN THE MATTER OF an application by Westcoast
Transmission Company Limited (hereinafter called
"Westcoast"), pursuant to Order no. TG-5-79,
respecting certain Operating and Maintenance
Expenses in excess of the Authorized Budgets for
the year ending the 30th day of June, 1980, filed
with the Board under File No. 1562-W5-3.

BEFORE:

C.G. Edge)	
Chairman)	
	)	On Friday, the 30th
J. Farmer	)	day of January, 1981.
Associate Vice-Chairman)	
)	
A.B. Gilmour)	
Member)	

UPON an application by Westcoast Transmission Company
Limited dated the 23rd day of October, 1980, pursuant to
paragraph 7 of Schedule A to Order No. TG-5-79, for an Order
approving and providing for the disposition of certain deferred
Operating and Maintenance Expenses in the amount of \$6.226
million incurred during the year ended the 30th day of June,
1980, which expenses were in excess of the approved budgets for
that year as set forth in Schedule E to Order No. TG-5-79;

... 2

- 2 -

AND UPON the Board having held a public hearing with respect to the said application in the City of Ottawa, in the Province of Ontario, on the 26th and 27th days of January, 1981;

IT IS ORDERED THAT Order No. TG-5-79 be and the same is hereby changed, altered and varied, by adding thereto the following:

"AND IT IS FURTHER ORDERED THAT:

13. Westcoast's deferred Operating and Maintenance Expenses for the year ending on the 30th day of June, 1980, in the amount of \$6.223 million plus carrying charges, calculated monthly at the rate specified in paragraph 9 of this Order for the period ending on the 31st day of January, 1981, be and the same are hereby approved.

14. Westcoast shall include in its cost of service for each of the months of February to July, 1981, inclusive, an amount equal to the aggregate of

- (a) one-sixth of the amount determined in accordance with paragraph 13 of this Order, and
- (b) carrying charges, calculated at the rate specified in paragraph 9 of this Order, on the unrecovered balance, as at the end of each month, of the amount determined in accordance with paragraph 13.

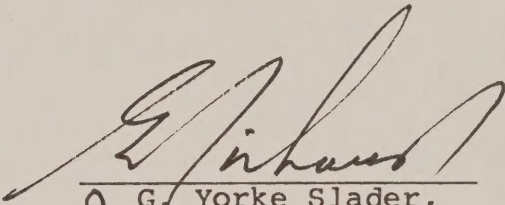
... 3

- 3 -

15. The amounts included by Westcoast in its cost of service for each of the months of February to July, 1981, pursuant to paragraph 14, shall be distributed in accordance with paragraph 3 of Schedule C to this Order to all sections of Westcoast's utility system except section 12.

16. Westcoast shall separately identify in the reports filed with the Board pursuant to paragraph 13 of Schedule A to this Order, the amounts recovered in its cost of service pursuant to paragraph 14 of this Order."

NATIONAL ENERGY BOARD



G. Yorke Slader,
Secretary.

